King County Investment Pool

Portfolio Review

Quarter Ended June 30, 2013

PFM Asset Management LLC

Presented by:

PFM Asset Management LLC

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Executive Summary

Purpose, Scope and Approach	• PFM Asset Management LLC ("PFM") prepared this report to update our ongoing analysis and to address any Investment Pool developments since our March 2013 review. • Our approach included a detailed portfolio analysis and Investment Policy Compliance review, based on the County's Investment Policy, dated July 2011, as amended February 2012. • Our analysis was based on the Investment Pool's holdings as of June 30, 2013, with reference to holdings in past periods. • The review encompasses all current investments in the County's Investment Pool.
Investment Program and Portfolio Review	• PFM reviewed the County's portfolio with respect to Investment Policy Compliance, Sector Allocation, Issuer Concentration, Credit Quality, Maturity Distribution, and Duration Distribution. • As with previous reports, the County's Investment Pool appears to provide ample liquidity, is well diversified, and is of sound credit quality. All holdings are investment grade and pose minimal risk to principal. The Pool has no direct corporate exposure, except through its cash equivalent bank holdings, which total about 4.4% of the portfolio and are fully insured or collateralized. Through its LGIP holdings, approximately 4.9% of the County's portfolio is indirectly invested in corporate obligations (repurchase agreements and certificates of deposit).
Observations	• The portfolio is comprised of high quality securities. All securities are either explicitly guaranteed or carry a high level of support by the U.S. Government (U.S. Treasury and Federal Agency) and/or possess a high level of liquidity (Washington State LGIP, bank deposits). • Interest rates for U.S. Treasury and Federal Agency securities across the majority of yield curve increased during the quarter as various Federal Reserve speeches and statement releases hinted to Fed asset purchases tapering sooner than expected as a result of continued momentum in domestic economic growth and strength in the labor markets. However, the Federal Reserve's near-zero interest rate policy on overnight lending continues to anchor the short end of the yield curve and kept downward pressure on ultra short-term investment types despite the increase on longer-dated securities during the quarter. • During the quarter, the County maintained a stable allocation to the Washington State LGIP at 22%, down only modestly from the March 31st level of 24.8%, just under its Investment Policy limitation of 25%. The County also added to cash equivalent bank deposits over the quarter, increasing allocations to that sector to 4% from 1%. • The County's allocation to the Federal Agency sector increased by approximately 7.7% and, conversely, U.S. Treasuries decreased by 8.3%. This shift in allocation can be attributed to an overall net balance increase of approximately $553 million over the quarter and the increasing spread between U.S. Treasury and Federal Agency securities. As such, and to take advantage of attractive spread widening, most notably the 6 to 12 month maturity range, the County focused new federal agency purchases in this maturity range totaling nearly $760 million during the quarter. • As a result of nearly $1 billion in new federal agency maturities in the 0 to 12 month maturity range, the overall weighted average maturity ("WAM") of the portfolio decreased for the second straight quarter down from 407 days on March 31st to 368 days on June 30th (when viewing callable securities to their call dates and mortgage securities on an average life basis). • As of June 30th, the duration of the County Pool is 1.52 years, up from a duration of 1.41 years on March 31st. Ultimately, the increase in duration of the County's callable securities outweighed the combination of the large concentration of new purchases in the 0 to 12 month space and the natural shortening of bullet securities as they "roll-down" the yield curve. For perspective, as of March 31st, the County's weighted duration of callable securities was 1.91 years, while as of June 30th that weighted duration increased to 2.68 years.

Investment Pool Portfolio Review

Portfolio Review

I. Investment Policy Compliance

II. Sector Allocation

- U.S. Treasuries
- Federal Agencies
- LGIP and Cash Equivalents

III. Issuer Concentration

IV. Overall Credit Quality

V. Maturity and Duration Distribution

I. Investment Policy Compliance – Investment Policy Summary

- The Investment Policy summary is based on the current Investment Policy for the County Investment Pool, dated July 2011 (amended February 2012).

Type	Maximum Portfolio Allocation	Issuer Restrictions	Credit Ratings	Maturity Restrictions
Repurchase Agreement	40%	5% per investment dealer; Firm must adopt a master repurchase agreement with the County. Maximum 5% per issuer applied across investment type.	Short-term credit ratings of at least A-1 / P-1 from at least 2 rating agencies. Must have a minimum asset and capital size of $25 billion in assets and $350 million in capital Collateral limited to U.S. Treasury and Agency securities.	60 days or less
Reverse Repurchase Agreement	20%	5% per investment dealer; Firm must adopt a master repurchase agreement with the County.	Short-term credit ratings of at least A-1 / P-1 from at least 2 rating agencies. Must have a minimum asset and capital size of $25 billion in assets.	6 months or less
Local Government Investment Pool ("LGIP")	25%	State of Washington LGIP	N/A	N/A
U.S. Treasuries	100%	None	N/A	Up to 5 years
U.S. Agencies	100% 20% Floating/Variable	35% exposure to any single Agency	Senior debt obligations issued by any government sponsored enterprise, agency or instrumentality of the United States, provided that such obligations are rated by S&P, Moody's, and Fitch at least as high as investments described under U.S. Treasuries. U.S. Agencies category includes Floating and Variable Rate Notes. The use of floating and variable rate notes (FRNs and VRNs) issued by Federal Agencies of the U.S. Government is allowable in the management of the Pool provided that the following criteria are met: 1) The final maturity (at the time of purchase) is no greater than two years; 2) The rate on the FRN/VRN resets no less frequently than quarterly; 3) The rate on the FRN/VRN resets with a frequency that produces a close tracking with money market rates; 4) The FRN/VRN is indexed to a money market rate such as Federal Funds, the 3-month Treasury Bill, LIBOR, or Prime Rate which correlates very highly with overall changes in money market rates even under wide swings in interest rates; 5) Any cap on the interest rate is at least 15.00% (1500 basis points) higher than the coupon at time of purchase.	Up to 5 years

I. Investment Policy Compliance – Investment Policy Summary (cont'd)

Type	Maximum Portfolio Allocation	Issuer Restrictions	Credit Ratings	Maturity Restrictions
Bankers' Acceptances	25%	2.5% of portfolio; secondary market purchases only. Maximum 5% per issuer applies across investment type.	Must carry highest ratings of any two nationally recognized rating agencies.	Up to 180 days
Certificates of Deposit	25%	2.5% of portfolio; must be a public depository in the State of Washington. Maximum 5% per issuer applies across investment type.	100% collateralization Moody's P-3, S&P A-3, or Fitch F-3 or better, and a Safe & Sound rating of 3 or better. No new deposits will be placed with institutions that are on credit watch or predictive indicator "negative." Those institutions not meeting the minimum credit requirements may receive deposits up to the FDIC or federally guaranteed amounts.	Up to 1 year
Commercial Paper	25%	2.5% of portfolio; secondary market purchases only. Maximum 5% per issuer applies across investment type.	Must carry highest ratings of any two nationally recognized rating agencies at time of purchase. Purchases with greater than 100 days maturity must have an issuer long-term rating of one of the two highest ratings of a nationally recognized rating agency. State law requires that Commercial Paper be purchased only from dealers.	180 days
General Obligation Municipal Bonds	20%	2.5%; bond issues by pool participants must be purchased on the secondary market only.	At time of purchase, bond must have one of the three highest credit ratings of a nationally recognized credit rating agency	5 years
Mortgage-Backed Securities	25%	Must be issued by Federal Agencies of the United States. Investments in MBS will count toward the total that can be invested on any one agency as described in U.S. Agencies above.	Must pass the Federal Financial Institutions Examination Council ("FFIEC") suitability test, which banks use to determine lowest risk securities. If rated by Fitch, must have rating between V1 and V5	5 year average life at time of purchase
Bank Notes	20%	2.5% of portfolio. Maximum 5% per issuer applies across investment type.	Bonds must be rated "A" or better by two nationally recognized rating agencies or guaranteed by an agency of the federal government	5 years

- When combined, Bankers' Acceptances, Certificates of Deposit, Commercial Paper, and Term Repos (greater than 7 days), and Bank Notes are not to exceed 50% of the Pool assets.
- The Pool will maintain an effective duration of less than 1.5 years.
- The portfolio will maintain at least 40% of its total value in securities having a maturity of 12 months or less.

I. Investment Policy Compliance – County Investment Pool

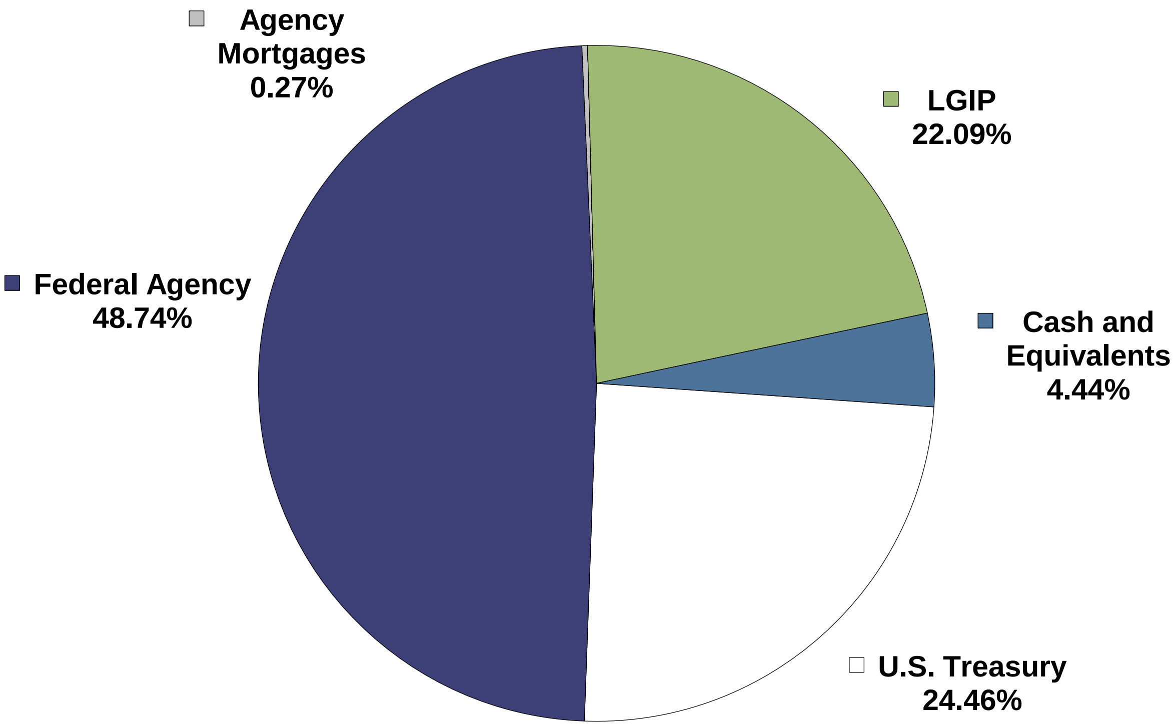
Topic	Observations
Sector Allocation	• All sector allocations fall within the limits set forth by the County's Investment Policy Statement. The Pool is predominantly invested in U.S. government securities which are either explicitly guaranteed or carry a high level of support by the U.S. government. The largest change in the County's allocations over the quarter was an increase in the allocation to Federal Agencies (non MBS) from 41.1% to 48.7%. This increase was largely a result of the majority of the County's approximately $550 million balance increase over the quarter being allocated to the Federal Agency (non MBS) sector. The County also added to bank deposit allocations over the quarter, with a net balance increase of approximately $177 million allocated to this sector. The County's allocations to the U.S. Treasury sector experienced the largest negative change over the quarter, as balances in this sector decreased by approximately $238 million, or by 8.3%. All allocations are within investment policy limits.
Credit Quality	• Securities held by the County are of very high quality and are within the limits set forth in the County Investment Policy. Approximately 73% of the County's assets are guaranteed or supported by the U.S. government. The remaining assets are primarily invested in the Washington State LGIP, which is not rated; however, 72% of the LGIP is invested in U.S. Treasuries or Federal Agencies. The LGIP also experienced an increase to the Federal Agency sector of approximately 14% over the quarter, with the majority of allocation decrease attributed to repurchase agreements and U.S. Treasury allocations. The County's cash equivalents (bank deposits) are collateralized by high quality securities.
Maturity Distribution	• All maturities fall within the maturity limits set forth in the County's Investment Policy. Maturities range from 1-day (the Washington State LGIP and bank deposits) to a Federal Agency Note with a maturity date of May 25, 2018 (4.9 years). Approximately 71% of the County's assets mature in one year or less (up from 66% over the quarter), and approximately 45% of the portfolio will mature within the next six months. The largest maturity range to change over the quarter was the six to nine month space, up 14%, the majority of which was attributable to new federal agency purchases.

Security Type	Market Value($)	Allocation Percentage	Within Policy Limits	Max Maturity Held	Within Policy Limits
Cash Equivalents	225,734,742	4.44%	✓	1 day	✓
Commercial Paper	0	0.00%	✓	N/A	✓
Repurchase Agreements	0	0.00%	✓	N/A	✓
LGIP	1,122,820,734	22.09%	✓	1 day	✓
Federal Agencies	2,477,139,215	48.74%	✓	4.90 years	✓
Agency Mortgages	13,710,822	0.27%	✓	4.20 years (WAL)	✓
Certificates of Deposit	0	0.00%	✓	N/A	✓
Municipal Bonds	0	0.00%	✓	N/A	✓
U.S. Treasury	1,243,377,000	24.46%	✓	4.17 years	✓

Percentages may not total to 100% due to rounding.

II. Sector Allocation

Sector Diversification
as of June 30, 2013



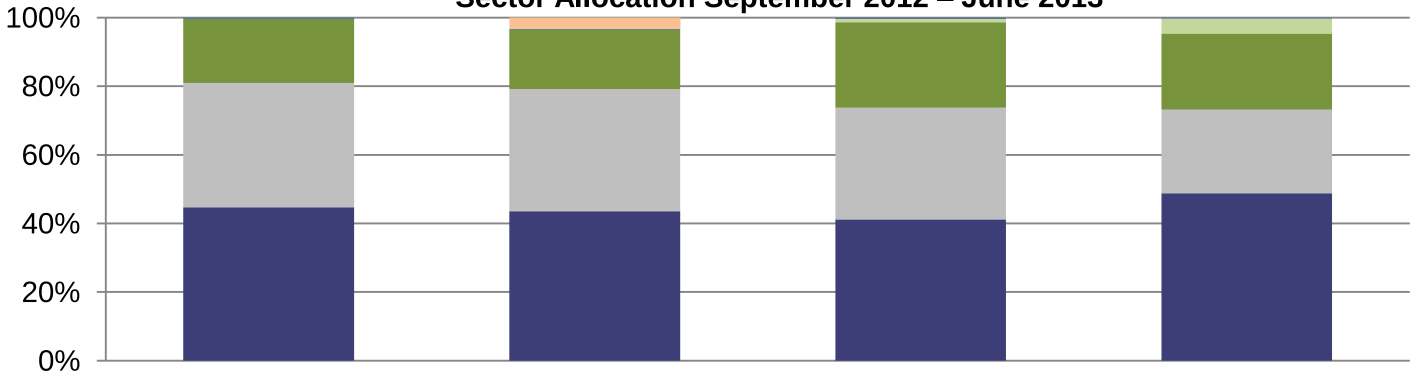
**Percentages may not total to 100% due to rounding.*

II. Changes in Portfolio Sector Allocation Over Past 12 Months

Changes in Sector Allocation

- As mentioned previously, the County's allocation to Federal Agencies increased by approximately 7.7% and, conversely, U.S. Treasuries decreased by 8.3%. This shift in allocation can be attributed to the combination of (1) a majority of the portfolio's overall net balance increase of approximately $553 million being allocated to the federal agency (non MBS) sector and (2) the spread between U.S. Treasury and Federal Agency securities increasing over the quarter across the majority of the yield curve, which made Agencies relatively more attractive.
  - For example, the yield difference between a 6-month U.S. Treasury and Federal Agency on March 31, 2013 was 2.6 basis points (0.026%) and by June 30, 2013 had nearly doubled and increased to 4.9 basis points (0.049%).
- The County's LGIP balances remained relatively stable at approximately 22% of the portfolio over the quarter. As a substitute for repurchase agreements, allocations to overnight bank deposits, on the other hand, (including those at U.S. Bank, Key Bank, and Bank of America) have increased from 1.1% to 4.4% over the quarter.
  - Bank deposits have overnight liquidity, are FDIC-insured up to FDIC limits, and are 100% collateralized by U.S. Treasury and Federal Agency securities, as the County's deposits are covered by the Public Deposit Protection Commission.

Sector Allocation September 2012 – June 2013



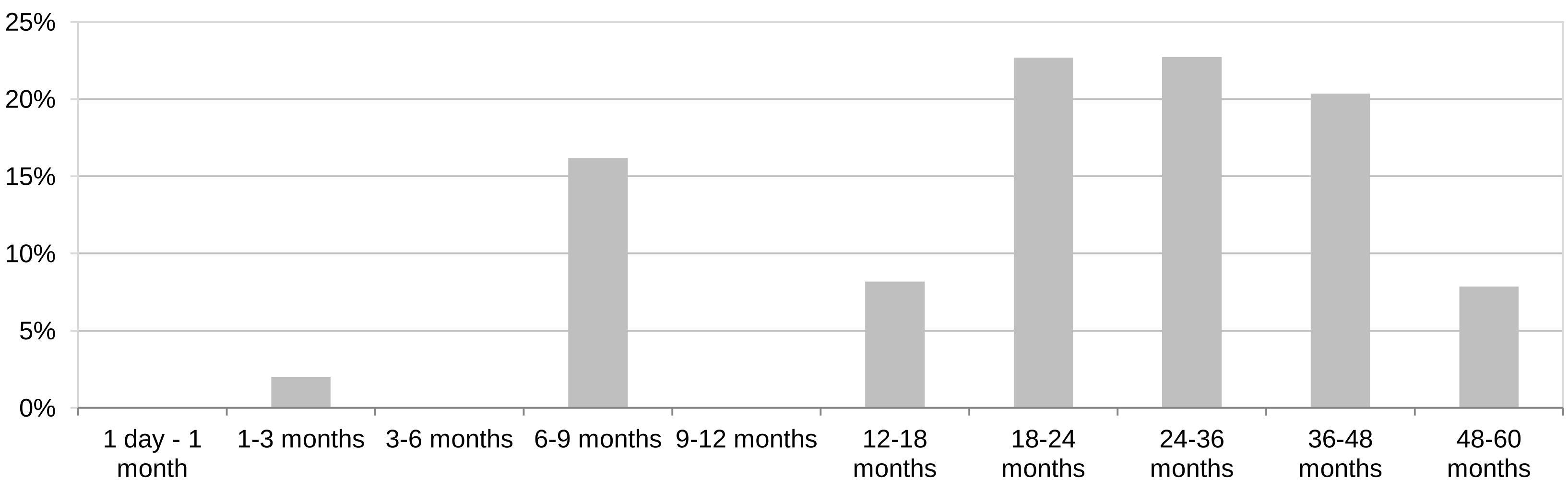
	September 30, 2012	December 31, 2012	March 31, 2013	June 30, 2013
Federal Agencies	44.62%	43.51%	41.08%	48.74%
U.S. Treasury	36.32%	35.68%	32.72%	24.46%
Washington State LGIP	18.64%	17.22%	24.78%	22.09%
Cash and Equivalents	0.00%	0.00%	1.07%	4.44%
Certificates of Deposit	0.00%	0.00%	0.00%	0.00%
Agency Mortgages	0.42%	0.35%	0.35%	0.27%
Municipal Notes	0.00%	0.00%	0.00%	0.00%
Repurchase Agreements	0.00%	3.24%	0.00%	0.00%

**Percentages may not total to 100% due to rounding.*

II. Sector Allocation – U.S. Treasury Securities

Topic	Observations
Observations	• The County's overall allocation to U.S. Treasuries decreased to 24.5%, compared to 32.7% at the end of the previous period. The dollar allocation to Treasuries decreased as well, as the County's net balance in the Treasury sector decreased by approximately $239 million. • As the County's existing Treasury securities continue to approach maturity and the remaining days to maturity naturally shorten, the County's previously purchased securities help contribute to decreasing the portfolio's overall weighted average maturity ("WAM"). Over the quarter however, the County's WAM of Treasury allocations increased from 730 days on March 31st to 771 days on June 30th. – This was largely the result of a decrease in the County's portfolio allocations to U.S. Treasury securities with maturities ranging from four months to four years and new Treasury allocations with targeted maturities in the two and a half to four year space. • Interest rates for short maturity Treasuries (1 year or less) actually fell over the quarter, primarily due to quarter-end funding pressures driving the yields on short investments even lower. While quarter-end funding pressures are to blame, the Federal Reserve's zero interest rate policy on overnight lending will continue to provide additional pressure on the front end of the yield curve and limit large rate increases for the time being. • Meanwhile, intermediate- to longer-term maturity Treasuries (3 – 10 years) experienced large, swift upward interest rate trends over the quarter and with it increased volatility, as various Fed speeches hinted towards Fed bond purchases tapering sooner than expected. – For example, the yield on a 5-Year U.S. Treasury Note nearly doubled over the quarter, increasing 0.63% to 1.39% by June 30th.

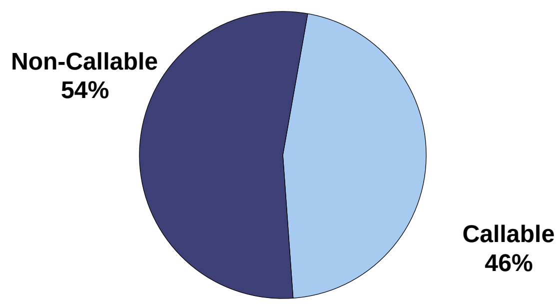
U.S. Treasury Maturity Distribution as of June 30, 2013



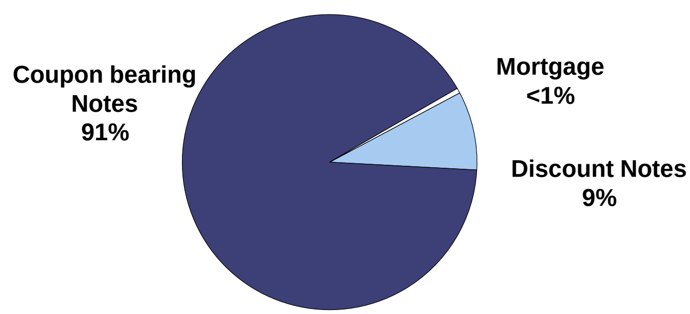
II. Sector Allocation – Federal Agencies

Topic	Observations			
Structure	• Non-Callable	54%	• Discount Notes	9%
	• Callable	46%	• Coupon bearing Notes	91%
			• Agency Mortgage	<1%
Diversification	• Freddie Mac (FHLMC)	23%	• Federal Farm Credit Bank (FFCB)	15%
	• Federal Home Loan Bank (FHLB)	24%	• Freddie Mac Mortgage-Backed (FHR)	<1%
	• Fannie Mae (FNMA)	38%	• Fannie Mae Mortgage-Backed (FNR)	<1%
Conclusions	• The County's Federal Agency allocation is diversified among the four major issuers. Approximately $528 million of Federal Agency securities matured, were sold, or were called during the quarter. Over the quarter, the County purchased approximately $1.1 billion in new Federal Agency securities, increasing the portfolio's dollar exposure and percentage allocation to the sector quarter over quarter. – In addition to reinvesting the proceeds of federal agency sales, maturities, and/or called securities back into the sector, the large dollar amount and percentage allocation increase over the quarter in new federal agency security purchases can also be largely attributed to (1) a net overall balance increase of approximately $553 million and (2) Treasury to Agency swap trades as a result of increased yield spreads. • Over $750 million of the County's new federal agency purchases were focused in the six to 12 month maturity range, with a majority of the balance of new agency purchases ($252 million) focused on callable structures with maturities-to-call less than six months.			

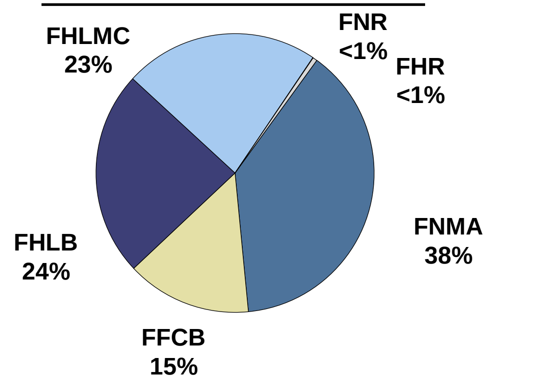
Callable vs. Non-Callable
as June 30, 2013



Structure Distribution
as of June 30, 2013



Issuer Diversification
as of June 30, 2013

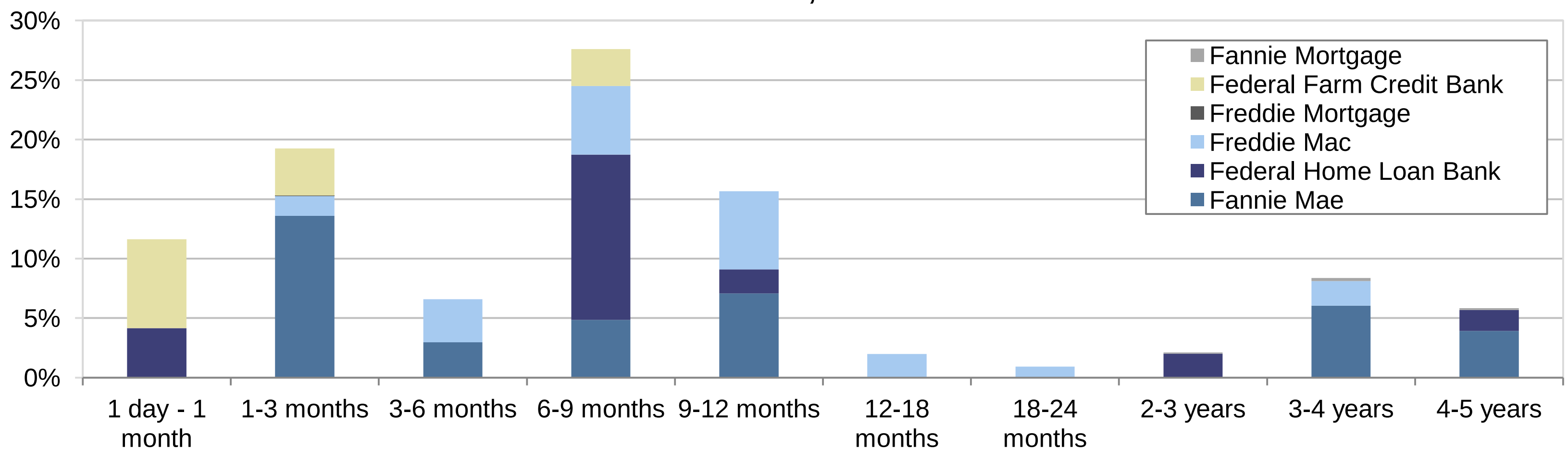


**All calculations above are based on total cash equivalents exposure, not overall Portfolio.*
***Percentages may not total to 100% due to rounding.*

II. Sector Allocation – Federal Agencies

Topic	Observations
Maturity Distribution	• The County's Federal Agency maturity distribution falls within the limits set forth by its Investment Policy Statement. • Bulleted and callable Federal Agency securities are diversified between maturities of less than one month to 4.9 years (viewing callable securities to their call dates). Weighted average life for mortgage-backed Federal Agencies ranges from 0.2 years to 4.2 years. • During the quarter, the County increased its holdings to shorter-term Federal Agency securities, led by the purchase of approximately $1 billion of 0-12 month Federal Agencies, taking advantage of the increased value in short-term federal agencies relative to U.S. Treasury securities of similar duration as a result of noticeable increases in yield spread. – For example, the yield difference between a 6-month U.S. Treasury and Federal Agency on March 31, 2013 was 2.6 basis points (0.026%) and by June 30, 2013 had nearly doubled and increased to 4.9 basis points (0.049%), while the yield difference between a 5-year U.S. Treasury and Federal Agency security increased only 1 basis point to 0.14% over that same period. – From a duration adjusted perspective, the spread between Treasury/Agency securities in the 3 to 6 month range increased greater than those on longer security maturities. • New agency purchases, which were focused on the short-end of the yield curve, also shortened the portfolio's Federal Agency holdings overall maturity, ending June 30th at 365 days compared to 405 days on March 31st.

Federal Agency Maturity Distribution by Name as of June 30, 2013

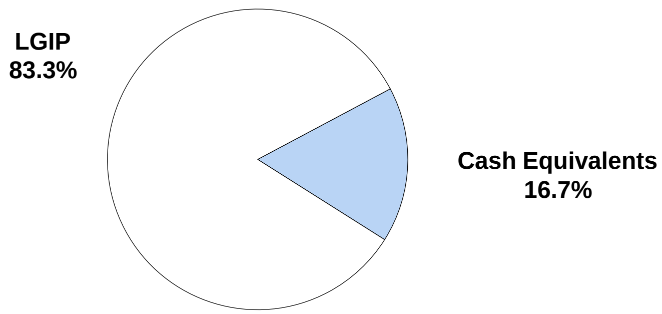


- Agency Mortgage maturities are calculated as average life. Average life data taken from Bloomberg Financial Markets
- Callable securities are shown to their next call date.
- All other Agency maturities are calculated as days to maturity.

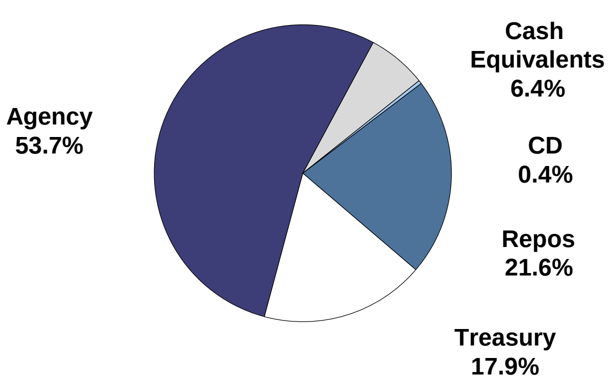
II. Sector Allocation – LGIPs and Cash Equivalents

	Underlying Investments	Rating (Short-Term: S&P/ Moody's/Fitch)	Observations
Washington State LGIP	• Federal Agencies 53.69% • U.S. Treasuries 17.91% • Cash Equivalents 6.44% • Certificates of Deposit 0.37% • Repurchase Agreements 21.59% *As of June 30, 2013*	• N/A	• The County currently has allocated $1.12 billion to the Washington State LGIP (the "LGIP"). The County's allocation to the State LGIP over the quarter remained relatively stable at $1.12 billion and decreased only slightly to 22% from 25%, directly as a result of the overall pool's balance increase. • As the County's portfolio experienced a sector reallocation of an increase to the Federal Agency sector and bank deposits and a decrease to the U.S. Treasury sector, so too did the state LGIP. • Over the quarter, the LGIP increased allocations to short-term agencies with maturities less than 12 months by 18% and assets in bank deposits slightly by 1%, while decreasing Treasury and repo allocations by a combined 14%.
Cash Equivalents	• U.S. Bank 96.26% • Key Bank 3.62% • Bank of America 0.12% *As of June 30, 2013*	• U.S. Bank: A-1+/P-1/F1+ • Key Bank: A-2/P-2/F-1 • Bank of America: A-1/P-2/F-1	• The County's checking accounts at U.S. Bank, Key Bank, and Bank of America are FDIC-insured up to FDIC limits, and are 100% collateralized by U.S. Treasury and Federal Agency securities, as the County's deposits are covered by the Public Deposit Protection Commission.

Issuer Distribution as of June 30, 2013



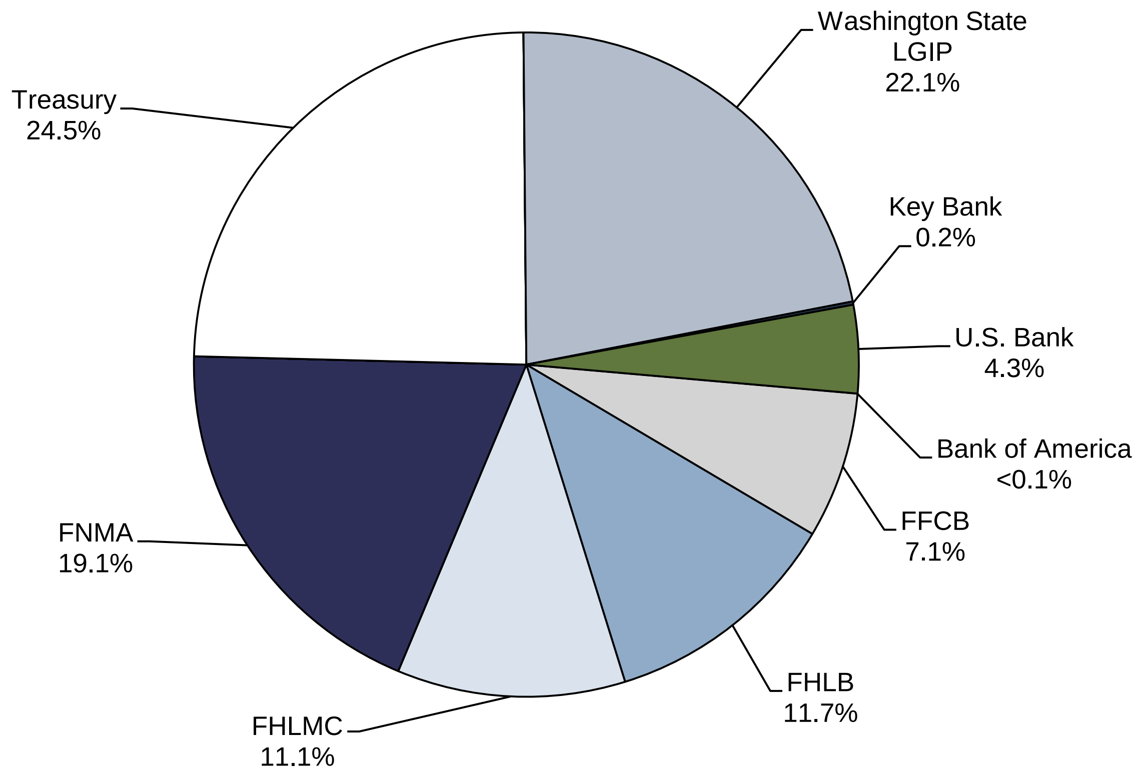
Washington State LGIP Sector Distribution as of June 30, 2013



**All calculations above are based on total cash equivalents exposure, not overall Portfolio.*
***Percentages may not total to 100% due to rounding.*

III. Issuer Concentration

Issuer Exposure	
	• The County has continued to diversify holdings by issuer, as is evidenced in the chart below. The County has allocated holdings among nine individual issuers. • Approximately 73% of the portfolio is allocated directly to U.S. government guaranteed or government supported entities. • The remaining 27% of assets are allocated to the Washington State LGIP and bank deposits. Both types of investments provide overnight liquidity. • When including the Pool’s indirect exposure to issuers through its holdings in the Washington State LGIP, the Pool’s allocation to securities issued by U.S. government or government supported entities would increase to 89%.



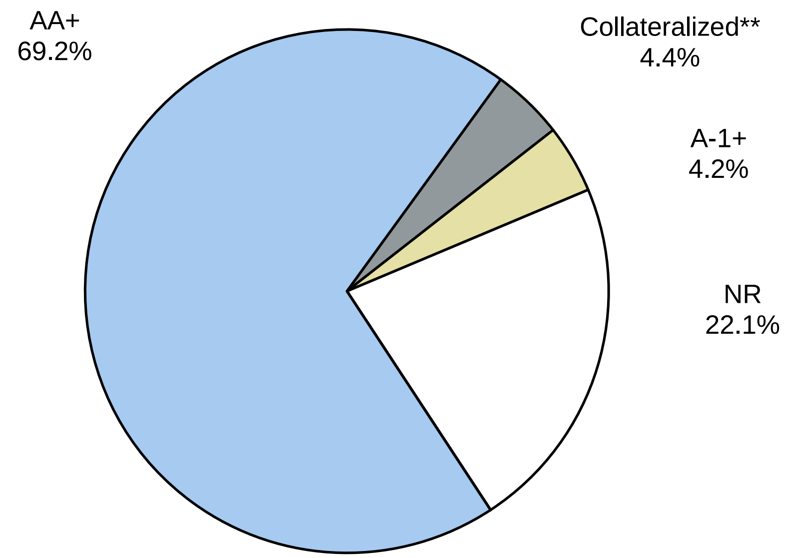
**Percentages may not add to 100% due to rounding.*

IV. Overall Credit Quality

County Investment Pool Credit Analysis

- The County Pool's overall average credit rating remains very strong and primarily concentrated in U.S. government guaranteed and/or supported securities.
- The County's corporate exposure comes through its investment in the Washington LGIP. Through the LGIP, 4.9% of the County's total portfolio is allocated indirectly to corporate securities (repurchase agreements and certificates of deposit), representing a decrease of nearly 2% over the quarter.
  - The collateralization of the corporate securities held by the LGIP minimizes any credit risk.
- The County also has some slight corporate exposure through its 4.4% allocation to bank deposits. However, these deposits are 100% collateralized by U.S. Treasury and Federal Agency securities, as the County's deposits are covered by the Public Deposit Protection Commission.
- The 4.2% A-1+ allocation represents the County's investment in Federal Agency Discount Notes. A-1+ is the highest short-term credit rating from Standard & Poor's.
- The 22.1% NR allocation represents the County's investment in the Washington State LGIP, which is not currently rated by any ratings agency.
- PFM has no concerns regarding the Pool's current credit distribution.

Credit Distribution*
as of June 30, 2013

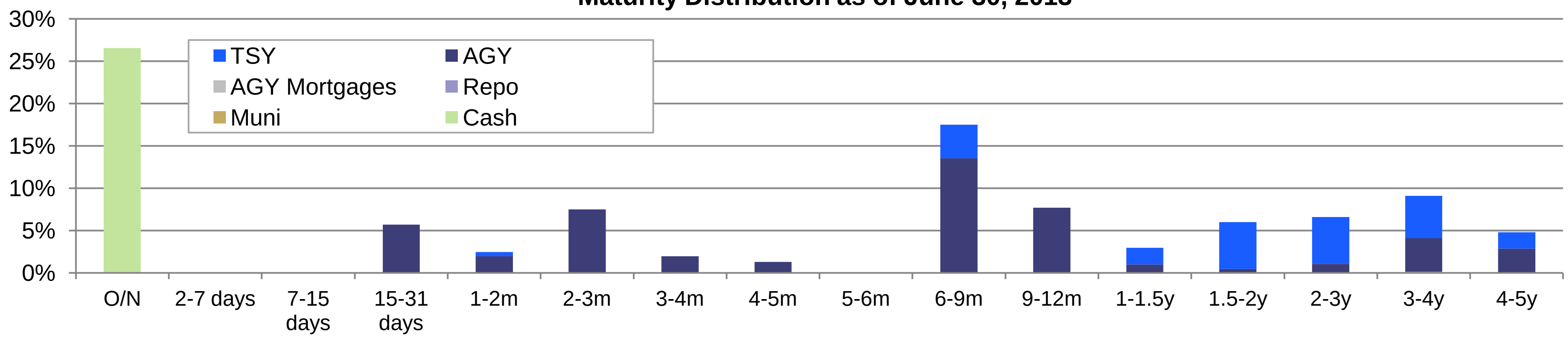


*Ratings by S&P; Percentages may not add to 100% due to rounding.
**Bank ratings of the depositories for the collateralized securities are given on page 11.

V. Maturity Distribution

Maturity Distribution	Observations
Weighted Average Maturity ("WAM")	• The County continues to diversify holdings among numerous maturity buckets, as seen in the chart below. • A majority of the holdings – 71% of the portfolio – are scheduled to mature or be called within the next twelve months. This percentage is up slightly from 66% at the end of the fourth quarter. • During the quarter, the County significantly increased its allocation to federal agency investments in the six to nine month range from 3% on March 31st to 17% by June 30th. As a result of the $1 billion in purchases targeted in federal agencies with maturities less than 12 months, the overall weighted average maturity ("WAM") of the portfolio decreased for the second straight quarter down from 407 days on March 31st to 368 days on June 30th (viewing callable securities to their call dates and mortgage securities on an average life basis). • If securities with maturities longer than one year are excluded, the remaining "short" portfolio has a weighted average maturity of 110 days, up from 89 days on March 31st. This "short" weighted average maturity increased slightly as a bulk of the County's new purchases during the quarter were targeted on the long-end of this "short" spectrum, primarily the six to nine space. So while decreasing the overall WAM of the portfolio, these purchases in fact lengthened the "short" portion of the County's portfolio. • Overnight LGIP investments continue to offer attractive value relative to other ultra short-term investment options in the zero to six month area.
Liquidity	• The County Pool appears to provide adequate liquidity, both in terms of final maturities and the sectors in which the Pool has invested. In addition to the 27% invested in a combination of the Washington State LGIP and bank deposits (overnight liquidity), approximately an additional 6% of the portfolio's holdings are scheduled to mature within the next thirty-one days.

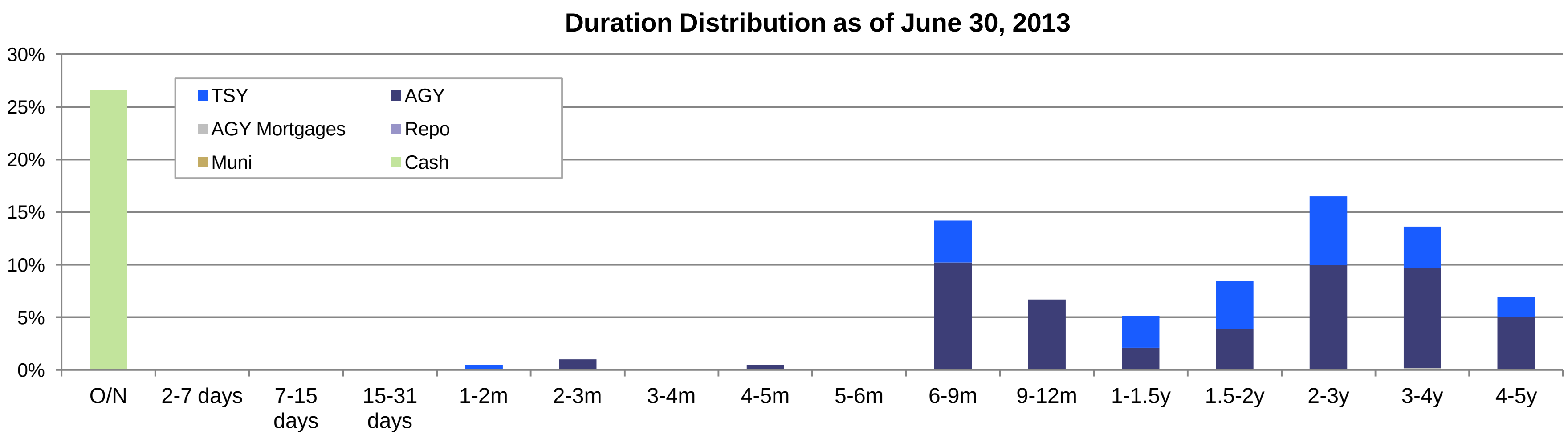
Maturity Distribution as of June 30, 2013



- Agency Mortgage maturities are calculated as average life. Average life data taken from Bloomberg Financial Markets
- Callable securities shown to their call date.
- All other security maturities are calculated as days to maturity. WA LGIP is considered to have a one day maturity.

V. Duration Distribution

Duration Distribution	Observations
Definition	• Duration is a measure of the sensitivity of the value of principal of an investment to a change in interest rates. For example, the value of a portfolio with a higher duration is more sensitive to interest rate increases and decreases. • Duration is measured in years and is commonly used as a measure of market risk. Duration can be derived in a number of ways; please refer to the notes at the bottom of this page for details.
Duration	• As of June 30th, the duration of the County Pool is 1.52 years, up from a duration of 1.41 years on March 31st. – The large increase in interest rates across a majority of the yield curve during the quarter, primarily in May and June, extended the duration on the County's callable securities higher. – That is, as yields increased quite significantly through May and June the likelihood of the County's callable securities being called at their nearest call date decreased and the duration of those securities increased. – For example, as of March 31st, the County's weighted duration of callable securities was 1.91 years, while as of June 30th that weighted duration increased to 2.68 years. – Ultimately, the increase in duration of the County's weighted callable securities outweighed the combination of the large concentration of new purchases in the 0 to 12 month space over the quarter and the natural shortening of bullet securities as they "roll-down" the yield curve.



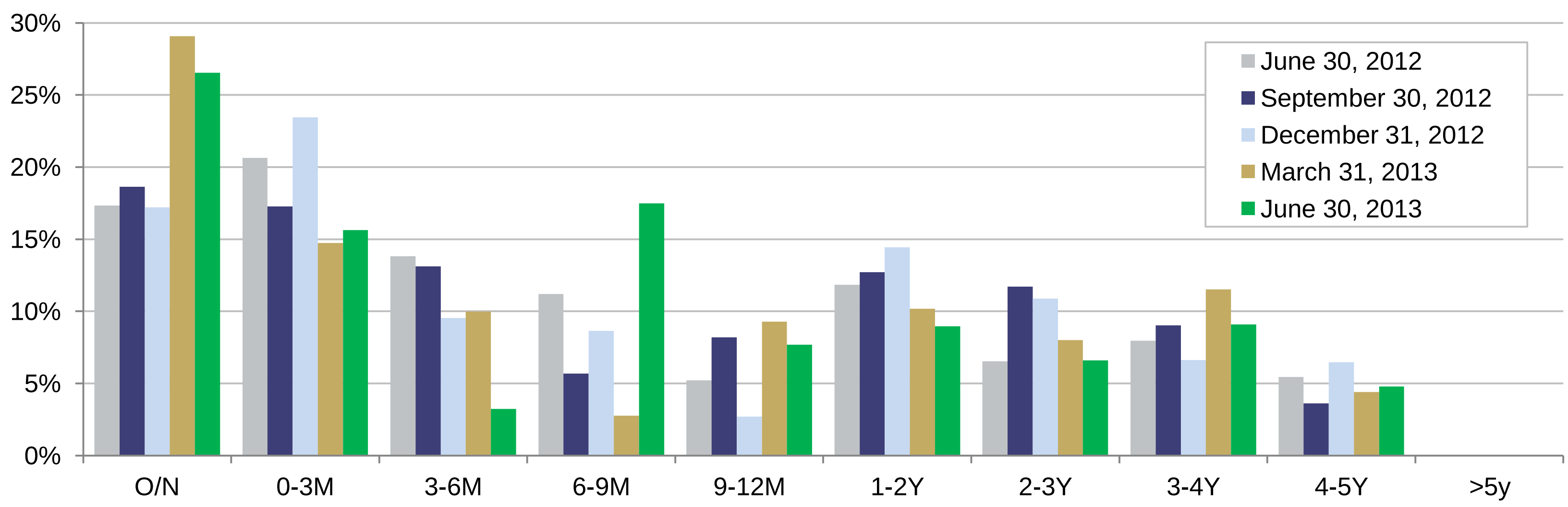
- Agency Mortgage durations are shown as effective duration taken from Bloomberg Financial Markets.
- Duration for Federal Agency Discount Notes and Repurchase Agreements are calculated as days to maturity. WA LGIP is considered to have a one day duration.
- All other security durations are calculated as effective duration as given by Bloomberg Financial Markets.

V. Changes in Portfolio Maturity Distribution

Changes in Portfolio Maturity Distribution

- Securities are well diversified by maturity, and range from overnight to nearly five years in maturity (viewing callable securities to their call dates and mortgage securities on an average life basis).
- Compared to previous quarters, the County has maintained elevated balances in overnight maturities. The main driver behind this growth was an allocation increase of approximately $300 million to the Washington State LGIP in the first quarter of 2013 and this allocation has been maintained through June 30th.
  - Overnight LGIP yields have offered noticeable value over the past several quarters in the current near zero overnight interest rate environment relative to other ultra short-term investment options.
- Also, and as mentioned previously throughout this report, the largest change over the quarter from a maturity distribution perspective is the significant increase in allocations to the six to nine month maturity range, which was a result of approximately $469 million of new federal agency securities in this maturity range.
  - During the quarter, yields on U.S. Treasury and Federal Agency securities increased quite markedly, and most significantly in May and June. In addition to those absolute yield increases, the yield spread between Treasury and agency securities of similar maturity also increased. However, from a duration adjusted perspective, the spread between Treasury/Agency securities in the 3 to 6 month range increased greater than those on longer security maturities.

Maturity Distribution June 30, 2012 to June 30, 2013



- Agency Mortgage maturities are calculated as average life. Average life data taken from Bloomberg Financial Markets
- Callable securities shown to their call date.
- All other security maturities are calculated as days to maturity. WA LGIP is considered to have a one day maturity.

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